

VZCZCXRO3341
PP RUEHROV
DE RUEHKH #0737 1320823
ZNR UUUUU ZZH
P 120823Z MAY 07
FM AMEMBASSY KHARTOUM
TO RUEHC/SECSTATE WASHDC PRIORITY 7154
INFO RUCNIAD/IGAD COLLECTIVE

UNCLAS KHARTOUM 000737

SIPDIS

SIPDIS
SENSITIVE

DEPT FOR AF/SPG, AF/EPS, EB/IFD, AND EB/ESC
DEPT PLS PASS USAID FOR AFR

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [EFIN](#) [ECON](#) [EAID](#) [PHUM](#) [SU](#)

SUBJECT: ACTING GOSS MINISTER OF FINANCE OULINES PRIORITIES

REF: A) KHARTOUM 0211 B) KHARTOUM 0720

11. (SBU) Summary: The Acting Minister of Finance (MOF) for the Government of Southern Sudan (GOSS) Gabrielle Changson Chang outlined his immediate objectives for establishing a fully-functioning GOSS financial structure. The gap between GOSS capacity in this area and the imperative nature of establishing a functioning Ministry of Finance is a significant one. The impending GOSS budget crisis is only going to exacerbate existing problems within the ministry and at every level of government. End Summary.

12. (SBU) Fresh on the heels of his predecessor's corruption scandal, Changson is appropriately focused on accountability within the GOSS funding and expenditures structure and is attempting to embed his ministry with the appropriate oversight mechanisms. Changson's goals include establishing a public financial management system, non-oil revenue generation operations, and planning and budgeting systems. With these systems in place, Changson advocates, the MOF can more effectively manage its resources; diversify its revenue stream away from oil profit and into, for example, customs, duties, and value-added taxes (VATs); and focus on priority development projects within the GOSS. Though Changson has the technical savvy to lay out these objectives, he confronts the same lack of capacity problem within his ministry as is faced by all GOSS ministries.

13. (SBU) Changson's macroeconomic goals reflect that he is thinking long-term about the financial health of the GOSS, which is in an exceptionally fragile state, but the challenge to reaching these goals before a financial crisis strikes is obvious. He wants to establish a foreign currency reserve in the Bank of Southern Sudan (BOSS) and claims he has gained "approval" from the Bank of Sudan (BOS) (Sudan's central bank) to do so. Changson sees foreign reserves as providing a cushion around which the GOSS can operate its financial transactions during budget shortfalls.

14. (SBU) Despite Changson's plans for this ministry, the GOSS financial state is precarious at best. The BOS denied Changson's recent request for a GOSS loan and GOSS oil revenues have been in decline for the past few months. GOSS oil revenues in March totaled only \$44.53 million according to public reporting and GOSS public statements. At that rate, GOSS revenue for 2007 will be roughly half of its 2006 levels. Though some newspapers have reported GOSS transfers and expenditures for the same period to be \$34.60 million, indicating a surplus, stories about salary shortages also proliferate in daily news reports. In addition, the public Governors' Forum speeches highlighted growing financial concerns among GOSS leadership (Reftel A).

15. (SBU) Changson intends to rein in the 2008 GOSS budget in order to make all ministries operate within their resources and to allow for building GOSS reserves. Changson is interested in ways to tie budget performance and output together in order to minimize operating costs for all GOSS ministries, and this month has directed that they all refrain from entering into any contracts without approval from the Ministry of Finance. The resonance of his

instruction is undetermined as of yet. Changson estimates that salary payments comprise approximately 70 percent of the GOSS budget, but other sources suspect it could be more. Changson acknowledges that this is an inordinate percentage, but he recognizes the political sensitivities to making drastic, but necessary, changes to the existing structure.

16. (SBU) GOSS leadership, including Changson, continues to distrust oil revenue figures coming from the GNU and to cite familiar impediments to GOSS verification of production figures. In addition, low oil prices for the Dar blend coming out of Blocks 3 & 7, at roughly \$23 a barrel according to GNU sources, contribute to low revenues. Changson briefly explained that he would like the GOSS to receive a portion of its oil revenue share in actual oil so that it could sell the oil on its own, rather than take the price the GNU takes. However, there is no indication that such an arrangement is forthcoming. The National Petroleum Commission (NPC) technical secretariat meets at the end of every month for an exchange of information, including GNU-provided production figures and revenue outlays, but the GOSS NPC representatives continue to voice dissatisfaction with the level of access to the oil fields and the perennial border dispute, which minimizes the GOSS claim to oil revenue.

MONROE